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Withholdings Announced for FY 2003

State Budget Director Linda Luebbering announced today that two years of declining state revenues will result in \$67.1 million in withholdings in Fiscal Year 2003, which ends June 30. The actions were implemented today at the direction of Governor Holden in accordance with Article IV, Section 27 of the Missouri Constitution to ensure that the state has a balanced budget.

“While the federal government is allowed to run a deficit, the state of Missouri cannot. One of the governor’s most important constitutional responsibilities is to keep the state budget in balance,” Luebbering said. “The Governor has fulfilled those responsibilities today by making sound fiscal decisions.”

Neither the revenue nor spending assumptions for this fiscal year are coming true. While a revised consensus revenue estimate has not yet been officially adopted, even the most optimistic assumptions would require the withholdings announced today, so Holden directed reductions to ensure that agencies have sufficient time to achieve the necessary savings.

“We cannot afford to wait and see if revenues improve,” said Luebbering. “The Governor’s actions today are responsible management responses to declining revenues.”

The withholdings necessitate the elimination of 870 jobs for the remainder of the year, including 96 layoffs and 774 currently vacant jobs that will remain unfilled. Combined with the \$826 million in withholdings implemented in Fiscal Years 2001 and 2002, Governor Holden has now withheld \$893 million during his term.

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A continued national recession and federal tax cuts have contributed to anemic state revenues. Missouri ties its tax rates to the federal tax system. Cuts in federal taxes result in a decrease in state revenues. “Well intentioned efforts to stimulate the economy from the federal level have negative consequences for states.” Luebbering said. In fact, 45 states have announced budget shortfalls.

The majority of cuts are coming from administrative positions and spending. While the average withholding across all agencies is 4.1 percent, the withholding on some departments is much higher - the Office of Administration is 13.7 percent.

The withholdings in the Department of Social Services will not cut foster care services or the staff who work with abused and neglected children. The withholdings in the Department of Health and Senior Services will not cut programs for seniors.

Local schools and the state’s public colleges and universities will not face withholdings assuming the state’s tobacco settlement is securitized and the current shortfall projections remain accurate. Additional withholdings may be necessary later in the fiscal year to these or other programs.

The tobacco securitization proposal received legislative approval last year. The state is currently working with a team of financial advisors to put forth a plan that maximizes revenues in the most fiscally prudent manner. An appropriation is needed to proceed in this manner.